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19 December 1954

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State Dept. review completed

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SOUTHEAST ASIA

1. Communist-controlled Indonesian labor union threatens general strike:

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Indonesia's largest estate workers' union, the Communist-controlled SARBUPRI, is threatening a general strike after 31 December as "part of total action" against foreign capital. The embassy comments that the government is in no stronger position now to resist Communist-inspired demands than it was in September 1953 when, in a similar situation, the Ali cabinet capitulated to SARBUPRI.

Comment: The Ali cabinet has a slim parliamentary majority without Communist support, but it nevertheless relies heavily on the Communist bloc in parliament.

If the government were to give in to the labor demands as in 1953, the effect would be to cripple foreign capital in Indonesia on which the country's export economy is largely based. The Communists thus are in a strong position to extract political concessions from the government in return for reducing their labor demands. Under these circumstances, a general strike is likely to be averted.

NEAR EAST - AFRICA

2. Iraqi prime minister says he is ready to sign treaty with Turkey:

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Prime Minister Nuri Said of Iraq recently told American ambassador Gallman that he has no hesitancy about signing a defense pact with Turkey.

Nuri declared that a bilateral pact with a non-Arab state could not have any ill effect on Iraq's relations with other Arab states, because some of them already have such pacts.

Comment: This is the strongest statement so far of Nuri's willingness to collaborate with the West in the defense of the Middle East. His words will be put to the test

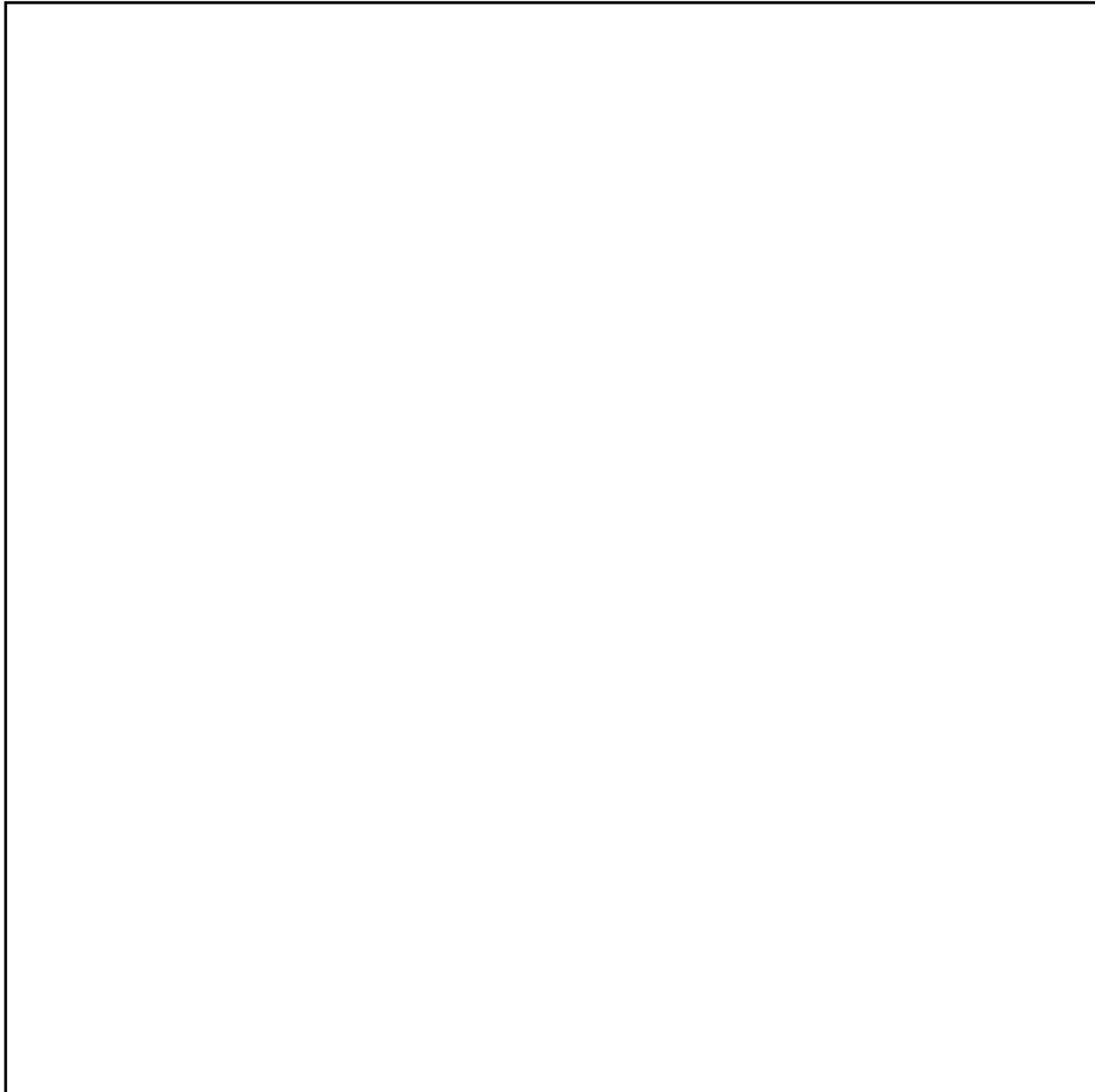
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early in January when Turkish prime minister Menderes goes to Baghdad in the hope of concluding a defense treaty with Iraq.

The Iraqi foreign minister's statement in Beirut on 19 December that Iraq will not conclude any defense treaties, while raising some doubt about Iraq's policy, is probably only a personal statement, not a reflection of Nuri's thinking.

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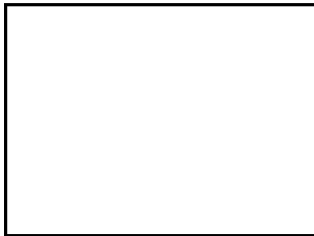
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LATIN AMERICA

4. Comment on Chilean political situation:

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President Ibanez of Chile is not likely to attempt to close Congress and rule as a dictator should the Senate vote to terminate the state of siege he declared on 20 September. The Chamber of Deputies voted on 30 November to end the state of siege, and a similar decision,

as recommended by a Senate committee, is expected when the Senate considers the question on 22 December.

If the Senate votes as expected, Ibanez may renew his earlier request to Congress for extraordinary powers to combat Communism. Such a request would probably receive more favorable consideration now than when first presented last September.

While the Communists and other left-wing elements have been very critical of the state of siege, its termination is not likely to improve their position in the country. The Ibanez administration is well aware of the Communist threat and has shown a continued determination to contain it. The armed forces can be depended upon to support any anti-Communist measures.



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